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SUBJECT: SCENESETTER FOR CODEL WEBB TO BURMA

[¶1.](#) (SBU) Senator Webb, Embassy Rangoon looks forward to your visit, the first CODEL to Burma since Senator Kerry came in [¶1999](#).

A Strained Bilateral Relationship

[¶2.](#) (SBU) The lack of CODELs reflects years of tension between the U.S. and Burma, mostly related to human-rights and democracy issues. Burma has had military-dominated, often harsh governance since 1962. The U.S. has criticized the regime's suppression of political dissent, including lengthy periods of house arrest for Aung San Suu Kyi (ASSK), and has urged freeing political prisoners, respecting the basic human rights of Burma's people, and entering into meaningful dialogue with democratic and ethnic groups.

[¶3.](#) (SBU) U.S. economic sanctions, begun in 1997, have aimed to target regime finances, while limiting effects on the populace. The sanctions now include bans on Burmese exports to the U.S. and on American investment and exportation of financial services to Burma, plus targeted financial and visa bans for certain high-profile individuals. The 2008 JADE Act built upon existing executive orders and directives and imposed an additional ban on the import of jadeite and rubies of Burmese origin.

Policy Review

[¶4.](#) (SBU) Secretary Clinton announced a policy review in February, noting that neither sanctions nor unconditional engagement (as practiced by many in the region) have convinced the regime to reform. The review slowed when the regime put ASSK on trial due to an incident involving an American citizen's intrusion into her house. Many observers believe the regime, through the trial, seeks to isolate ASSK from next year's elections. The verdict is scheduled for August 11. Secretary Clinton discussed Burma with regional counterparts at ASEAN meetings in Phuket in July. On the margins, State Department officials had a private conversation with GOB officials on implementation of UNSCR 1874 and the situation of Aung San Suu Kyi, including signaling that we would be prepared to respond in concrete terms to concrete progress on the part of the Burmese government. As you well know, the U.S. has achieved mutually beneficial relationships with a number of former adversaries. Theoretically, Burma could be next; but we have difficulty discussing course changes with the senior generals who make all the key decisions, seldom show an inclination to bend on important substance, and rarely agree to see Westerners.

Political Concerns

[¶5.](#) (SBU) POLITICAL PRISONERS: Burma has an estimated 2,100

political prisoners, nearly half of whom have been detained since demonstrations over fuel price hikes and subsequent monk-led protests (the so-called Saffron Revolution) in August-September 2007. Last fall the regime sentenced many to lengthy jail terms -- ranging up to 65 years -- for a variety of "speech crimes." The most dynamic and active leaders of the pro-democracy movement are either imprisoned, in exile, or in hiding. ASSK has been detained for 13 of the last 20 years, and continually since May 2003.

¶6. (SBU) THE 2010 ELECTIONS: A new constitution, part of by the regime's seven-step "Road Map to a Discipline-Flourishing Democracy," received 92.48% "approval" via a deeply flawed referendum in May 2008. The new constitution appears intended to ensure continued military control from behind the scenes after elections for a new Parliament planned for 2010. The GOB has yet to announce the timing of the vote, who can compete, and how elections will be organized. In the absence of hard facts, many potentially key players -- among opposition, pro-regime, and ethnic groups alike -- are struggling to determine the best approach to the elections and are holding off on any concrete action.

¶7. (SBU) Aung San Suu Kyi's National League for Democracy (NLD), which won 81 percent of seats in Burma's 1990 elections (with the regime then ignoring the results), has publicly declared it will only participate in the 2010 elections if the regime agrees to release political prisoners, discuss amending the constitution, and accept international monitors for the elections. It is unlikely the regime will accommodate. Some other opposition figures -- including a "third force" of democracy advocates tied neither

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to the regime nor to the traditional 1990-era parties -- are considering participating, believing that the admittedly flawed process could offer some opening to press for change.

¶8. (SBU) ETHNIC GROUPS: Many of Burma's minority ethnic groups once had significant rebel forces. Seventeen official ethnic groups have reached ceasefire agreements with the government since the late 1980s. Most retain their arms and some have large, young, and active memberships. A number of ceasefire ethnic groups have accepted the regime's road map in theory, but have major difficulty with particulars, wanting to retain significant autonomy and aspiring to retain control over economic opportunities. Some ceasefire groups could wield significant leverage against the GOB if dissatisfied with the results of the regime's road map. The regime argues that concerns about instability necessitate tough constraints on political activity.

Economic Environment

¶9. (SBU) Despite Burma's vast resource base in timber, natural gas, gems, and fisheries, crony capitalism and policy mismanagement stifle economic growth and opportunity. The regime blames Western sanctions, though its own impediments to free markets -- including sweetheart deals, bureaucratic inefficiencies, corruption, and rigid, self-serving controls on agriculture, import/exports, and the financial system -- are the major factors. Most of Burma's citizens subsist on an annual income of approximately USD 400 and spend 70 percent of their income on food. Burma's GDP per capita is half that of neighbors Bangladesh and Laos, a major shock to a country that was once a regional economic powerhouse. High malnourishment, illiteracy, and infectious disease rates accent the society's poverty and vulnerability.

¶10. (SBU) The regime, its commercial entities, and its associated cronies dominate the economy. China, Thailand, India, and other regional countries are investors in a few key sectors as well as trade beneficiaries. Foreign investments outside the extractive industries remain low. GOB economic statistics are unreliable and exaggerate the

Burmese economy's performance. The GOB claimed economic growth of 13 percent for 2007-2008; experts estimate the real rate was closer to 1 percent. Inflation hovers around 30 percent a year.

¶11. (SBU) Although the government denies it, Burma has suffered from the global financial crisis. Anecdotal reports indicate that remittances from Burmese abroad have declined markedly. Economists estimate that hundreds of thousands of migrant workers have returned to Burma after losing their jobs abroad; few are likely to find work here. Layoffs in the tourism, textile, and other sectors have been significant, while credit, particularly for agriculture -- which has always been extremely expensive -- is more difficult to obtain.

¶12. (SBU) Under current sanctions, U.S. companies with investments in Burma prior to May 20, 1997 may maintain their holdings. A hostile investment climate, disappointing returns, and a desire to project a positive corporate image, have resulted in very few U.S. companies electing to remain. The notable exception is CHEVRON (UNOCAL), which maintains a 28 percent interest in the Yadana natural gas project, operated by French oil company Total. State-owned Myanmar Oil and Gas Enterprise (15 percent stake) and a Thai company are also partners in the Yadana project.

Burma's Foreign Relations

¶13. (SBU) Burma has a strategic location: long borders with China, Thailand, and India, and shorter ones with Bangladesh and Laos, as well as a lengthy coastline that is the nearest ocean access for China's Yunnan Province. Due to Burma's oil and gas deposits, as well as significant quantities of precious gems and hardwoods, China, Thailand, and India continue to expand their commercial relationships in Burma and compete for influence and resources. Burmese natural gas supplies nearly 30 percent of Thailand's energy needs, and China is preparing to construct oil and gas pipelines from the Burma coast to Yunnan Province.

¶14. (SBU) Burma became a member of ASEAN in 1997. ASEAN's reluctance to criticize the GOB's domestic policies has recently receded, as the Thai Chair, Indonesia, and the Philippines have all publicly urged the GOB to release

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political prisoners and institute political reforms. In a July 20 joint statement, the 42nd ASEAN Foreign Ministers meeting encouraged the GOB to hold "free, fair and inclusive elections" and called on the regime to release political prisoners, including Aung San Suu Kyi, immediately.

¶15. (SBU) The GOB has announced its intention to develop a "peaceful" nuclear program under IAEA auspices with Russian assistance. Additionally, a large number of Burmese military personnel reportedly travel to Russia each year to undergo technical training. We continue to follow reports that Russia, China, India, and North Korea have provided material assistance to the Burmese military, including conventional weapons.

Rays of Light

¶16. (SBU) Even as we criticize Burma for human rights abuses, insufficient counter-narcotics and anti-trafficking efforts, and dealings with North Korea, we strive at the Embassy level to maintain constructive relationships with all segments of Burmese society, including government officials. Furthermore, the USG is firmly committed to humanitarian assistance to Burma's long-suffering populace. The regime has subtly indicated this humanitarian assistance, intended to relieve suffering and contribute to "social development," might be a possible avenue for future engagement.

Law Enforcement and Military Relationship

¶17. (SBU) DRUG ENFORCEMENT COOPERATION: The Embassy's DEA office has positive working relations with Burmese counternarcotics officials. Burmese police continue to supply DEA with significant information on drug seizures recorded by the local Anti-Narcotics Task Forces (ANTF) throughout Burma. Additionally, DEA has had access to inspect major narcotic seizures and evidence processing. On July 10, an ANTF unit in Tachileik, Burma seized over 34 kilograms of methamphetamines and 762 kilograms of heroin, the largest heroin seizure in this region since 1988. Burmese counterparts briefed our DEA agents immediately. DEA has linked this organization to several major cases in the South East Asia region, and continues to work this case with Burmese police officials.

¶18. (SBU) MIL-MIL RELATIONS: In contrast, Burma-U.S. military relations are limited. With the exception of Russia, ours is the only Western embassy with resident military attachés. The Burmese military tightly controls all official contacts between Burmese and U.S. military officials. The few interactions that do occur are largely ceremonial. Official requests to visit military commanders or bases are routinely ignored. Travel near sensitive areas can quickly generate intensive surveillance activity. Restrictions temporarily eased during Cyclone Nargis recovery operations in May-June 2008, when U.S. military attachés interacted directly with local officials, and the Burmese granted permission for PACOM's Admiral Keating to visit.

¶19. (SBU) Burmese military officers are generally cordial, and many privately indicate they would like better relations with the U.S. but are limited by the perspectives of senior leadership. A few officers who studied in the U.S. under IMET before 1988 are still on active duty; a few are now Ministers. They usually have fond memories and would welcome an improvement in mil-mil relations. On the other hand, an entire generation of military officers knows only the regime's anti-U.S. stance.

¶20. (SBU) POLICE/RSO COOPERATION: Over the past year, we have observed improvement in cooperation between GOB law enforcement and security elements and the Embassy. The Special Branch of Police regularly informs the RSO of demonstrations, street closings, and incidents involving American citizens. Occasionally, this extends to information sharing on arrests of opposition and pro-democracy activists. The Embassy has benefited from this improved relationship.

Bilateral Assistance

¶21. (SBU) The Burmese Government has neglected its people, spending shockingly little on health, education, and social safety nets. Embassy Rangoon and the regional USAID mission in Bangkok implement a number of programs to alleviate the humanitarian crisis and prepare people for meaningful change.

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Cyclone Nargis in May 2008, while tragic, did allow the U.S. to demonstrate vividly its commitment to the welfare of Burma's citizens. The USG has provided nearly USD 75 million in post-cyclone assistance to date, with more in the pipeline. Implementation has been impressive. The assistance has reached the needy, and has accented the magnitude of grass roots despair. Internal USG discussion of additional assistance options is in progress. A crucial question, though, is how receptive the regime will be. Ongoing programs outside the cyclone-affected areas target the most vulnerable groups, including refugees, IDPs, communities affected by trafficking, the disabled, and ethnic minorities. We fund several health programs to combat infectious diseases, including HIV/AIDS, tuberculosis,

malaria, and Avian Influenza.

¶22. (SBU) The Embassy's American Center in Rangoon and our former consulate in Mandalay provide space for people to read books unavailable elsewhere and a forum for discussion. We host regular speaker programs and attract increasing numbers of students in English and a range of other topics. The Embassy's small grants program provides funds -- average USD 10,000 -- to organizations in all regions of the country that foster local decision-making and civil society programs in their communities. Embassy assistance also supports training of journalists.

Your Visit

¶23. (SBU) Some months ago, we had the impression the Burma regime was intrigued by President Obama's stated willingness to converse with those with whom the U.S. disagrees. Secretary Clinton's announcement of the Burma policy review added to the regime's interest. More recently, with ASSK's continued detention and trial having engendered vocal criticism globally, including public notice from Washington that the trial result will affect the outcome of the policy review, the mood in Nay Pyi Taw has cooled. If the Rangoon court announces its verdict on August 11 as currently scheduled, and if the verdict continues ASSK's detention, international criticism of the regime will only increase. That obviously could complicate the atmospherics for your meetings.

Ready to Assist

¶24. (U) Everyone at Embassy Rangoon looks forward to your visit. We stand ready to do everything we can to make your trip as productive as possible.
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